

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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R 131715Z JUN 75

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INFO EC BRUSSELS 5840

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TAGS: EFIN, IT

SUBJ: ONE-TIME TAX ON RESIDENTIAL HOUSING - STILL A POSSIBILITY

REF : A. ROME 9407 DATED AUGUST 7, 1974

B. ROME A-715 OF NOVEMBER 22, 1974

1. /SUMMARY/. WITH RESUMPTION OF PARLIAMENTARY ACTIVITIES FOLLOWING YEAR-END HOLIDAY PERIOD, SPECULATION HAS APPEARED IN PRESS ABOUT RECONSIDERATION BY PARLIAMENT OF "UNA-TANTUM" OR ONE-TIME TAX ON RESIDENTIAL HOUSING. THIS TAX HAD ORIGINALLY BEEN PART OF GOI "TAX PACKAGE" WHICH WAS APPROVED BY PARLIAMENT LAST AUGUST BUT WAS DROPPED FROM CONSIDERATION FOR INCLUSION IN FINAL TAX PACKAGE AND INTRODUCED IN PARLIAMENT AS ORDINARY DRAFT LAW BECAUSE OF POLITICAL SENSITIVITY OF THIS ISSUE. /END SUMMARY/.

2. ONE-TIME TAX ON RESIDENTIAL HOUSING WOULD HAVE BEEN APPLIED AS FOLLOWS: 30,000 LIRE PER ROOM IN (NON-LUXURY) HOUSING SUBJECT TO RENT FREEZE; 5,000 LIRE PER ROOM FOR UNCLASSIFIED

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NON-LUXURY HOUSING OCCUPIED BY OWNER WITH TAX APPLICABLE TO NUMBER OF ROOMS EXCEEDING NUMBER OF FAMILY MEMBERS; 8,000 LIRE PER ROOM IN NON-LUXURY RESIDENTIAL HOUSING WHICH NOT OCCUPIED BY OWNERS OR WHICH OTHERWISE RENTED; 20,000 LIRE PER ROOM FOR NON-LUXURY RESIDENTIAL HOUSING WHERE LOCATION DIFFERS FROM THAT OF OWNER; 50,000 LIRE PER ROOM ON ALL LUXURY HOUSING, WHETHER OR NOT OCCUPIED BY OWNER. IT HAD BEEN ESTIMATED THAT ONE-TIME TAX WOULD HAVE GENERATED 130 BILLION LIRE IN NEW REVENUES FOR GOI, AND THIS SUM WAS INCLUDED IN CENTRAL GOVERNMENT BUDGET (REF B) ALTHOUGH TAX LAW HAD NOT YET BEEN PASSED BY PARLIAMENT. NONETHELESS, GOI SPOKESMEN CLAIM THAT ANY REVENUE SHORTFALL IF TAX IS NOT PASSED WOULD BE COVERED BY TAX REVENUES FROM OTHER SOURCES.

3. RECONSIDERATION BY PARLIAMENT OF ONE-TIME TAX ON RESIDENTIAL HOUSING HAS BEEN PLACED ON DECEMBER-JANUARY WORK DOCKET. RENEWED INTEREST IN THIS ISSUE OCCURS AT TIME WHEN MORO GOVERNMENT IS COMMITTED TO POLICIES OF STIMULATING HOUSING CONSTRUCTION SECTOR. MORO HIMSELF IS REPORTEDLY OPPOSED TO TAX AS IS FINANCE MINISTER VISENTINI WHO IS SAID TO OPPOSE IT BECAUSE OF ADMINISTRATIVE DIFFICULTIES IN COLLECTING TAX. OPPONENTS OF ONE-TIME TAX CITE NEED TO FOSTER INVESTMENT IN RESIDENTIAL HOUSING SECTOR. CONFEDILIZIA (CONFEDERATION OF CONSTRUCTION FIRMS) HAS STATED PUBLICLY THAT NEW TAX WOULD SCARE AWAY POTENTIAL INVESTORS WHO ARE ALREADY DISINCLINED TO INVEST BECAUSE OF RENT FREEZE LAWS WHICH, SO CONFEDILIZIA CLAIMS, FAVOR RENTORS AT EXPENSE OF OWNERS. OPPONENTS OF LAW ALSO CLAIM THAT 55 PERCENT OF ITALIAN FAMILIES OWN THEIR HOMES, WITH ONLY 6 PERCENT OF FAMILY UNITS OWNED BY INVESTMENT REALTY FIRMS, WITH RESULT THAT NEW LAW WOULD NOT AFFECT SPECULATORS BUT WOULD PRIMARILY AFFECT HOMEOWNERS WHO ALREADY ARE HIT HARD BY GOI TAX MEASURES AND BY INFLATION.

4. DESPITE OPPOSITION TO NEW ONE-TIME TAX ON HOUSING, FORMER SOCIALIST BUDGET MINISTER GIOLITTI RECENTLY STATED THAT PSI HAS NOT CHANGED ITS POSITION ON THIS ISSUE AND IS STILL KEENLY INTERESTED IN SEEING LAW PASSED BY PARLIAMENT. SOCIALISTS CLAIM THAT THERE WAS UNDERSTANDING AMONG POLITICAL PARTIES PRIOR TO FORMATION OF MORO GOVERNMENT TO GO AHEAD WITH TAX. MEMBERS OF PSI ECONOMIC SECTION HAVE SCHEDULED MEETING IN NEXT FEW DAYS TO DISCUSS THIS AND OTHER

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ECONOMIC SUBJECTS.

5. COMMENT: RENEWED DISCUSSION OF ABOARTED UNA-TANTUM TAX SEEMS LIKELY TO SPARK LIVELY DEBATE AS NEW MORO GOVERNMENT ATTEMPTS TO BALANCE TRADE-OFF BETWEEN DESIRE TO STIMULATE ECONOMY THROUGH REVIVAL OF HOUSING INDUSTRY AND TO FIGHT INFLATION THROUGH FURTHER REDUCTION IN CASH BUDGET DEFICIT.VOLPE

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